

Cooper-Standard (CPS)

\$13.70 (As of 03/03/20)

Price Target (6-12 Months): **\$12.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 02/27/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:C

Value: A

Growth: D

Momentum: D

Summary

Cooper-Standard reported loss in fourth-quarter 2019, due to lower revenues across all segments. For 2020, the company anticipates sales of \$2.85-\$3.5 billion, down from \$3.1 billion reported in 2019. Weak vehicle production, and unfavorable volume and customer mix have adversely impacted the company's top line. Market weakness, in Europe and Asia Pacific regions, hit the company hard. Tariff impact on auto parts from China, and looming tariff conflicts from the European Union may eat into some of the profits of the firm. With the technology shift in full swing, OEMs like Cooper Standard have to develop components that comply with emission standards and meet the critical requirements of electric and self-driving vehicles, which may limit the margins, going forward. As such, the stock is viewed as a risky bet at the moment.

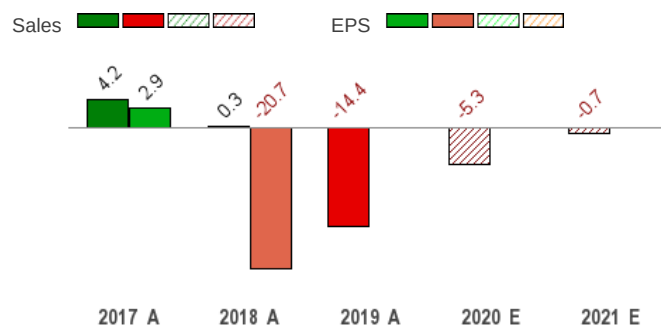
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$62.86 - \$13.46
20 Day Average Volume (sh)	264,377
Market Cap	\$230.8 M
YTD Price Change	-58.7%
Beta	1.92
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Automotive - Original Equipment
Zacks Industry Rank	Bottom 28% (184 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-123.7%
Last Sales Surprise	4.6%
EPS F1 Est- 4 week change	-83.4%
Expected Report Date	05/06/2020
Earnings ESP	0.0%

P/E TTM	NA
P/E F1	47.2
PEG F1	NA
P/S TTM	0.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					2,921 E
2020	680 E	709 E	768 E	785 E	2,942 E
2019	880 A	765 A	729 A	726 A	3,108 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					-\$0.75 E
2020	-\$0.87 E	-\$0.66 E	-\$0.10 E	\$0.25 E	\$0.29 E
2019	\$0.67 A	\$0.31 A	-\$0.31 A	-\$1.32 A	-\$0.19 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/03/2020. The reports text is as of 03/04/2020.

Overview

Novi, MI-based Cooper-Standard Holdings Inc. is engaged in designing, manufacturing and selling of sealing, fuel and brake delivery along with fluid transfer and anti-vibration systems. The products of the company are mainly used in passenger vehicles and light trucks that are manufactured by original equipment manufacturers (OEMs) and replacement markets.

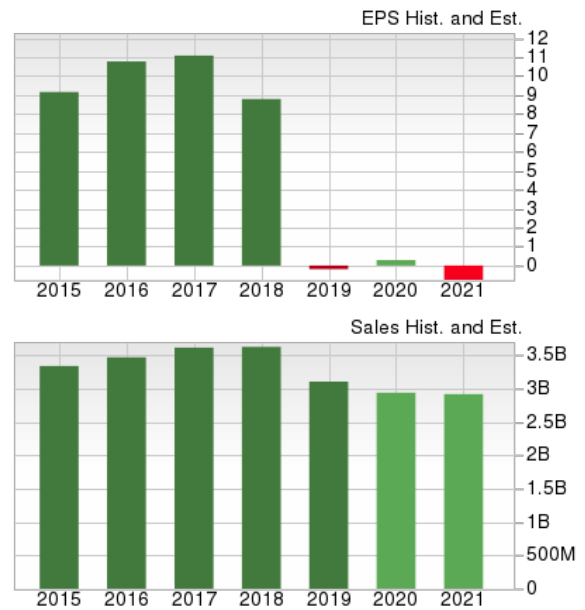
The company employs around 30,000 people including 3,200 contingent workers, with 174 facilities in 21 countries across the globe and operates in 21 countries. The company operates in 103 manufacturing locations and 71 design, engineering, administrative and logistics locations.

The company operates under four segments: North America (52.8% of sales in 2019), Europe (28%), Asia Pacific (16.2%) and South America (3%).

Approximately 83% of sales in 2019 were to OEMs, including Ford Motor Company, General Motors Company, Fiat Chrysler Automobiles, PSA Peugeot Citroen, Volkswagen Group, Daimler, Renault-Nissan, BMW, Toyota, Volvo, Jaguar/Land Rover, Honda and various other OEMs based in China and India. The remaining 17% of 2019 sales were primarily to Tier I and Tier II automotive suppliers, non-automotive customers, and replacement market distributors. The Company's products can be found on over 518 nameplates globally.

The company currently has three distinct product lines: sealing systems, fuel and brake delivery systems, and fluid transfer systems. These products are produced and supplied globally to a broad range of customers in multiple markets. On April 1, 2019, Cooper-Standard completed the divestiture of the AVS product line within our North America, Europe and Asia Pacific segments to Continental AG.

In fourth-quarter 2018, Cooper-Standard acquired the assets and liabilities of Hutchings Automotive Products, LLC for approximately \$42,100. During the same quarter, the company acquired 80.1% of LS Mtron Ltd.'s automotive parts business, now named Cooper Standard Automotive and Industrial, Inc. The acquisition unites Cooper-Standard's automotive fluid transfer, and fuel and brake delivery systems with jounce brake lines and charge air cooling technology.



Reasons To Sell:

- ▼ The bleak outlook of the company dampens investors' confidence. For 2020, the company anticipates sales in the range of \$2.85-\$3.05 billion, down from \$3.1 billion reported in 2019 amid challenging macro-economic conditions and coronavirus fears. It expects adjusted EBITDA in the band of \$150-185 million, showing a decline from the 2019 figure of \$201.6 million.
- ▼ Concerns related to economic slowdown have been dampening demand for vehicles, thereby affecting Cooper-Standard's performance. Weak vehicle production, and unfavorable volume and customer mix have adversely impacted the company's top line. Market weakness, especially in Europe and Asia Pacific regions, hit the company hard. In fact, the firm anticipates light vehicle production to remain at or below current levels through 2021 in Asian and European markets.
- ▼ Since the company operates in 20 different countries, it is subject to fluctuating foreign currencies and a stronger US dollar, which are likely to hurt Cooper-Standard's bottom line, going forward. In 2019, the company's currency translation experienced a headwind of \$3.02 million, representing 10% of sales. Further, tariff impact on auto parts from China, and looming tariff conflicts from the European Union are escalating the cost of raw materials and may eat into some of the profits of the firm. Rising debt levels are also a concern. Moreover, the company reported long-term debt of \$746 million in 2019, up from \$729 million in 2018.
- ▼ With the technology shift in full swing, OEMs like Cooper Standard have to develop components that comply with emission standards and meet the critical requirements of electric and self-driving vehicles. These new features, upgrades and component designs require abundant capital expenses, which may limit the firm's margins.

Lower industry volumes, adverse customer mix and higher commodity prices have been weighing on Cooper-Standard of late.

Risks

- Cooper-Standard continues at a record pace for new program launches and contract awards related to recent product innovations. These innovative plans are driving the company to expand opportunities and attract new customers. During 2019, the company executed 271 launches, an increase of 38 percent over 2018. The company also continues to fill the pipeline for future sales with significant business awards.
 - The company has been making efforts to trim costs through operational efficiency. Moreover, improved operating efficiency is expected to not only reduce SG&A expenses but also aid cost saving and lean initiatives. Lean purchasing initiatives and restructuring savings resulted in \$16 million total cost savings in the fourth quarter of 2019. These actions are focused on improving its cash flow and balance sheet.
 - For full-year 2020, the firm expects to generate positive free cash flow. Favorable cash position and credit profile will provide the company with sufficient liquidity that can support near-term operating requirements, along with long-term strategic plans. It also expects capital expenditures in the range of \$140-\$150 million in 2020, down from \$164 million reported in 2019.
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Last Earnings Report

Cooper-Standard Q4 Earnings Miss Estimates, Revenue Tops

Cooper-Standard Holdings Inc. reported adjusted loss of \$1.32 per share in fourth-quarter 2019, wider than the Zacks Consensus Estimate of loss of 59 cents mainly due to lower revenues across all the segments. The year-ago quarter's profit was \$1.47 per share.

In the fourth quarter, the company generated revenues of \$726 million, lower than the year-ago figure of \$872 million. This downside mainly resulted from the UAW work stoppage in the United States and lower-than-planned volumes on certain vehicle programs. However, the revenue figure topped the Zacks Consensus Estimate of \$694 million.

During the reported quarter, adjusted net loss was \$22.3 million as against the net income of \$26.4 million recorded in the year-ago period. Adjusted EBITDA declined to \$25.7 million from the \$75.7 million recorded in the fourth quarter of 2018.

Segmental Performance

Sales in the North America segment were \$368.4 million, down from the year-ago figure of \$476.4 million. During the quarter, adjusted EBITDA in the segment came in at \$37.5 million, down from the \$79.9 million recorded in the prior-year period.

Sales in the Europe segment were \$199.96 million, down from the \$230.2 million witnessed in fourth-quarter 2018. The segment's adjusted EBITDA summed 429,000, slumping 91.3% year on year.

The Asia Pacific segment reported sales of \$136.9 million in the December-end quarter, down from the \$141.8 million generated in fourth-quarter 2018. The segment reported negative EBITDA of \$13.7 million compared with the negative EBITDA of \$6.5 million witnessed in fourth-quarter 2018.

The company's South America segment generated sales worth \$20.95 million during the reported period, slightly lower than the prior-year quarter's \$22.3 million. However, the segment reported adjusted EBITDA of \$1.45 million as against the loss of \$2.6 million witnessed in the comparable period last year.

Financials

Cooper-Standard had \$359.5 million of cash and cash equivalents as of Dec 31, 2019 compared with \$264.9 million on Dec 31, 2018. The company had long-term debt of \$746.2 million as of Dec 31, 2019, representing a debt-to-capital ratio of 46%

2020 Guidance

For 2020, the company anticipates sales of \$2.85-\$3.05 billion. It expects adjusted EBITDA in the \$150-185 million band and capital expenditure in the range of \$140-\$150 million.

Quarter Ending **12/2019**

Report Date	Feb 24, 2020
Sales Surprise	4.62%
EPS Surprise	-123.73%
Quarterly EPS	-1.32
Annual EPS (TTM)	-0.65

Valuation

Cooper-Standard's shares are down 58.7% in the year-to-date period and down 77.5% over the trailing 12-month period. Stocks in the Zacks Automotive - Original Equipment industry and the Zacks Automotive sector are down 10.7% and down 1.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 7.5% and up 8.5%, respectively.

The S&P 500 index is down 3.9% in the year-to-date period and up 11.9% in the past year.

The stock is currently trading at 124X forward 12-month earnings, which compares to 12.03X for the Zacks sub-industry, 10.67X for the Zacks sector and 17.66X for the S&P 500 index.

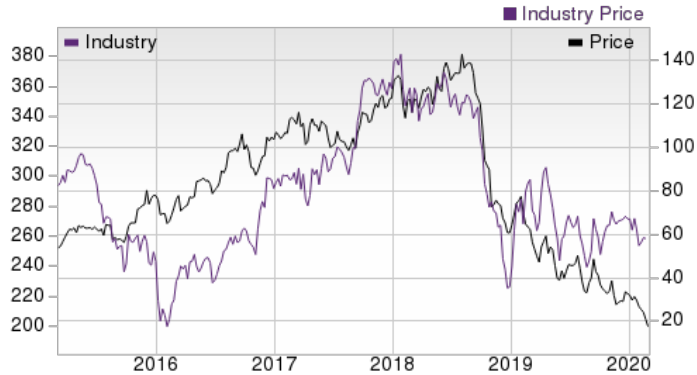
Over the past five years, the stock has traded as high as 232.7X and as low as 6.52X, with a 5-year median of 9.56X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$12 price target reflects 109.09X forward 12-month earnings per share.

The table below shows summary valuation data for CPS:

Valuation Multiples - CPS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	124	12.03	10.67	17.66
	5-Year High	232.7	13.46	11.75	19.34
	5-Year Low	6.52	8.52	8.23	15.18
	5-Year Median	9.56	11.6	9.91	17.46
EV/EBITDA TTM	Current	3.5	5.57	10.12	10.93
	5-Year High	6.79	8.63	11.33	12.88
	5-Year Low	3.5	4.64	7.05	8.49
	5-Year Median	5.24	6.61	9.35	10.79
P/S F12M	Current	0.08	0.58	0.65	3.26
	5-Year High	0.72	0.81	0.76	3.43
	5-Year Low	0.08	0.49	0.5	2.54
	5-Year Median	0.39	0.64	0.62	3.01

As of 03/03/2020

Industry Analysis Zacks Industry Rank: Bottom 28% (184 out of 255)



Top Peers

LCI Industries (LCII)	Outperform
Allison Transmission Holdings, Inc. (ALSN)	Neutral
China Yuchai International Limited (CYD)	Neutral
Garrett Motion Inc. (GTX)	Neutral
Iochpe-Maxion SA (IOCJY)	Neutral
Wabco Holdings Inc. (WBC)	Neutral
Visteon Corporation (VC)	Underperform
Wabash National Corporation (WNC)	Underperform

Industry Comparison Industry: Automotive - Original Equipment				Industry Peers		
	CPS Underperform	X Industry	S&P 500	GTX Neutral	VC Underperform	WBC Neutral
VGM Score	C	-	-	A	C	D
Market Cap	230.75 M	638.40 M	21.37 B	510.34 M	1.86 B	6.94 B
# of Analysts	3	3	13	3	6	5
Dividend Yield	0.00%	0.00%	2.04%	0.00%	0.00%	0.00%
Value Score	A	-	-	A	C	D
Cash/Price	1.24	0.13	0.05	0.36	0.26	0.14
EV/EBITDA	2.30	4.63	12.65	6.08	8.58	15.78
PEG Ratio	NA	1.01	1.87	NA	NA	1.27
Price/Book (P/B)	0.26	1.18	2.96	NA	3.12	4.83
Price/Cash Flow (P/CF)	1.55	4.35	11.68	1.36	10.44	18.79
P/E (F1)	49.10	10.10	16.98	2.23	19.54	19.09
Price/Sales (P/S)	0.07	0.40	2.44	0.16	0.63	2.03
Earnings Yield	2.12%	9.60%	5.87%	44.87%	5.12%	5.23%
Debt/Equity	0.92	0.51	0.70	-1.26	0.82	0.63
Cash Flow (\$/share)	8.83	3.69	7.01	5.01	6.36	7.21
Growth Score	D	-	-	A	C	C
Hist. EPS Growth (3-5 yrs)	-8.50%	8.01%	10.85%	NA	-3.17%	7.57%
Proj. EPS Growth (F1/F0)	252.63%	5.83%	6.36%	-20.81%	22.74%	48.41%
Curr. Cash Flow Growth	-51.63%	-2.66%	6.07%	0.00%	-34.80%	-31.91%
Hist. Cash Flow Growth (3-5 yrs)	-5.55%	6.21%	8.52%	NA	-17.58%	-2.54%
Current Ratio	1.67	1.56	1.23	0.86	1.69	3.35
Debt/Capital	47.93%	38.59%	42.57%	NA	45.01%	38.59%
Net Margin	1.95%	3.15%	11.57%	9.64%	2.38%	7.19%
Return on Equity	-1.13%	13.35%	16.66%	-10.32%	13.13%	17.41%
Sales/Assets	1.15	1.30	0.54	1.48	1.34	0.85
Proj. Sales Growth (F1/F0)	-5.10%	0.32%	4.01%	-0.81%	3.73%	-3.71%
Momentum Score	D	-	-	B	F	B
Daily Price Chg	-10.87%	-1.40%	-2.60%	0.00%	-1.42%	-0.21%
1 Week Price Chg	-15.95%	-11.07%	-12.06%	-13.79%	-14.48%	-0.63%
4 Week Price Chg	-47.77%	-11.35%	-10.01%	-24.64%	-23.09%	-0.27%
12 Week Price Chg	-50.90%	-14.44%	-7.46%	-31.11%	-26.51%	0.20%
52 Week Price Chg	-77.49%	-22.50%	2.54%	-57.46%	-22.14%	-3.30%
20 Day Average Volume	264,377	182,559	2,406,738	1,000,194	459,358	863,863
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	1.66%	0.00%	0.00%
(F1) EPS Est 4 week change	-83.43%	0.00%	-0.06%	1.66%	-30.30%	3.30%
(F1) EPS Est 12 week change	-84.00%	-2.28%	-0.39%	-0.54%	-31.13%	-6.15%
(Q1) EPS Est Mthly Chg	-495.45%	-1.33%	-0.45%	-13.61%	-66.88%	0.00%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	D
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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